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December 28, 2004

HAND DELIVERY

Elizabeth O'Donnell
Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
Frankfort, Kentucky 40601

RECEIVED
DEC 28 2004
PUBLIC SERVICE
COMMISSION

RE: The Continental Inn v. Kentucky Utilities Company
Case No. 2004-00458

Dear Ms. O'Donnell:

Enclosed please find and accept for filing the original and ten (10) copies Kentucky Utilities Company's Answer in the above-referenced matter. Please confirm your receipt of this filing by placing the stamp of your Office with the date received on the enclosed additional copies and return them to me in the enclosed self-addressed stamped envelope.

Should you have any questions or need any additional information, please contact me at your convenience.

Yours very truly,

A handwritten signature in black ink that reads "Allyson K. Sturgeon". The signature is written in a cursive, flowing style with a long horizontal line extending from the end.

Allyson K. Sturgeon

AKS/ec
Enclosures
cc: Parties of Record

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED

DEC 28 2004

PUBLIC SERVICE COMMISSION

In the Matter of:

THE CONTINENTAL INN)
)
 COMPLAINANT)
 v.)
)
 KENTUCKY UTILITIES COMPANY)
)
 DEFENDANT)

CASE NO. 2004-00458

ANSWER OF KENTUCKY UTILITIES COMPANY

In accordance with the Commission’s Order of December 22, 2004, in the above-captioned proceeding, Kentucky Utilities Company (“KU”) respectfully submits this Answer to the Complaint of The Continental Inn filed on November 24, 2004. In support of its Answer, and in response to the specific averments contained in The Continental Inn’s Complaint, KU states as follows:

1. KU admits the allegations contained in paragraphs (a) and (b) of the Complaint.
2. With respect to the allegations contained in paragraph (c) of the Complaint, KU admits that The Continental Inn has operated in Lexington for many years and has not been required to pay a deposit since July, 1997. KU expressly denies that The Continental Inn is current on its payments owed to KU, and in fact, The Continental Inn has received eighteen disconnect notices over the past eighteen months. Additionally, representatives of KU have made eight visits to The Continental Inn from October, 2003 through December, 2004, to personally request payment on its accounts. Furthermore, as of December 28, 2004, The Continental Inn owes a total of \$16,731.10, of which \$7,765.85 is past due and thus became

eligible for disconnect on December 14, 2004. By letter dated October 20, 2004, KU Field Operations Manager, H. Michael Wickline, informed The Continental Inn's General Manager, Charles Cliff, that, due to the payment history of The Continental Inn, a deposit in the amount of \$17,588.00 was due on October 29, 2004. KU contacted Mr. Cliff on November 2, 2004, because no payment had been received. Mr. Cliff then requested two additional weeks to pay the deposit. Although KU agreed to this extension, no payment towards the deposit was ever made. In fact, The Continental Inn has not made any payment to KU since November 17, 2004. Although KU believes that sufficient time has passed to enable The Continental Inn to make its payments for the deposit, KU is willing to allow The Continental Inn to make equal payments in the amount of \$5,862.67 over the next three months with final payment by March 28, 2005, so long as The Continental Inn becomes (and remains) current on its bills for utility service.

3. KU denies all allegations in the Complaint which are not expressly admitted in the foregoing paragraphs of this Answer.

FIRST AFFIRMATIVE DEFENSE

The Complaint fails to set forth any claim upon which relief can be granted by this Commission and, therefore, should be dismissed.

SECOND AFFIRMATIVE DEFENSE

Complainant has failed to set forth a *prima facie* case that KU has violated its tariff or any Commission statute or regulation, and the Complaint should be dismissed for that reason.

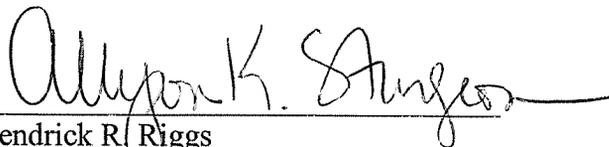
WHEREFORE, for all of the reasons set forth above, Kentucky Utilities Company respectfully requests:

- (1) that the Complaint herein be dismissed without further action being taken by the Commission;
- (2) that this matter be closed on the Commission's docket; and

(3) that KU be afforded any and all other relief to which it may be entitled.

Dated: December 28, 2004

Respectfully submitted,

A handwritten signature in black ink that reads "Allyson K. Sturgeon". The signature is written in a cursive style and is positioned above a horizontal line.

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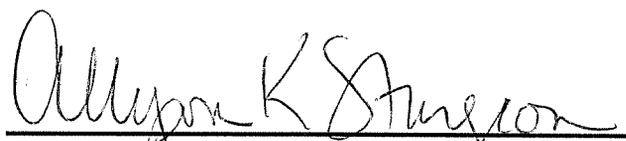
COUNSEL FOR KENTUCKY UTILITIES
COMPANY

CERTIFICATE OF SERVICE

The undersigned hereby certifies that a true and correct copy of the foregoing Answer was served on the following persons on the 28th day of December 2004, U.S. mail, postage prepaid:

Ms. Mindy G. Barfield
Dinsmore & Shohl, LLP
Lexington Financial Center
250 W. Main Street, Suite 1400
Lexington, KY 40507

Mr. Charles R. Cliff
The Continental Inn
801 New Circle Road N.E.
Lexington, KY 40505



Counsel for Kentucky Utilities Company